



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CARTER COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES AND  
SHERIFF'S SETTLEMENT - 1998 AND 1999 UNMINED COAL TAXES**

**May 1, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **CARTER COUNTY KEVIN MCDAVID, SHERIFF SHERIFF'S SETTLEMENT - 1999 TAXES AND SHERIFF'S SETTLEMENT - 1998 AND 1999 UNMINED COAL TAXES**

The audit of the Carter County Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1998 and 1999 Unmined Coal taxes has been completed. The Sheriff's financial statements present fairly, in all material respects, the Carter County Sheriff's taxes charged, credited, and paid as of May 1, 2000. The audit revealed no reportable internal control or compliance issues. The Carter County Sheriff's record keeping was exceptional.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Alice Binion, Carter County Judge/Executive  
Honorable Kevin McDavid, Carter County Sheriff  
Members of the Carter County Fiscal Court

Independent Auditor's Report

We have audited the Carter County Sheriff's Settlement - 1999 Taxes and the Sheriff's Settlement - 1998 and 1999 Unmined Coal Taxes as of May 1, 2000. These tax settlements are the responsibility of the Carter County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Carter County Sheriff's taxes charged, credited, and paid as of May 1, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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Honorable Kevin McDavid, Carter County Sheriff  
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In accordance with Government Auditing Standards, we have also issued a report dated January 4, 2001, on our consideration of the Sheriff's internal control over financial reporting and compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 4, 2001



CARTER COUNTY  
KEVIN MCDAVID, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

May 1, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 286,635	\$ 529,478	\$ 1,584,453	\$ 589,193
Tangible Personal Property	27,948	47,547	127,312	89,753
Intangible Personal Property				28,024
Fire Protection	4,476			
Franchise Corporation	93,407	81,132	240,845	
Additional Billings	229	423	1,265	786
Omitted Taxes	17	32	95	36
Increased Through Erroneous Assessments	181	335	1,001	372
Penalties	3,365	6,127	18,333	7,017
Adjusted to Sheriff's Receipt	(15)	(11)	(62)	(22)
Gross Chargeable to Sheriff	<u>\$ 416,243</u>	<u>\$ 665,063</u>	<u>\$ 1,973,242</u>	<u>\$ 715,159</u>
<u>Credits</u>				
Discounts	\$ 5,014	\$ 7,371	\$ 21,763	\$ 9,242
Exonerations	9,600	17,371	51,981	19,440
Delinquents:				
Real Estate	15,817	28,880	86,422	32,137
Tangible Personal Property	1,594	2,713	8,033	3,962
Intangible Personal Property				1,463
Uncollected Franchise	<u>1,000</u>	<u>1,692</u>	<u>5,071</u>	
Total Credits	<u>\$ 33,025</u>	<u>\$ 58,027</u>	<u>\$ 173,270</u>	<u>\$ 66,244</u>
Net Tax Yield	\$ 383,218	\$ 607,036	\$ 1,799,972	\$ 648,915
Less: Commissions *	<u>16,574</u>	<u>25,799</u>	<u>70,559</u>	<u>27,866</u>
Net Taxes Due	\$ 366,644	\$ 581,237	\$ 1,729,413	\$ 621,049
Taxes Paid	365,802	579,674	1,724,783	619,169
Refunds (Current and Prior Year)	<u>868</u>	<u>1,622</u>	<u>4,811</u>	<u>1,880</u>
Refunds Due Sheriff		**		
as of Completion of Fieldwork	<u>\$ (26)</u>	<u>\$ (59)</u>	<u>\$ (181)</u>	<u>\$ 0</u>

\* and \*\* See Page 4

CARTER COUNTY  
KEVIN MCDAVID, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES  
May 1, 2000  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,629,169
3.92% on	\$	1,799,972

\*\* Special Taxing Districts:

Ambulance District	\$	(36)
Health District		(14)
Extension District		<u>(9)</u>
Refunds Due Sheriff	\$	<u><u>(59)</u></u>

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
KEVIN MCDAVID, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 AND 1999 UNMINED COAL TAXES

May 1, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 80	\$ 149	\$ 442	\$ 168
<u>Credits</u>				
Discounts	\$ 2	\$ 3	\$ 9	\$ 3
Net Tax Yield	\$ 78	\$ 146	\$ 433	\$ 165
Less: Commissions *	3	6	17	7
Net Taxes Due	\$ 75	\$ 140	\$ 416	\$ 158
Taxes Paid	75	140	416	158
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* Commissions:

4.25% on \$ 389

3.92% on \$ 433

The accompanying notes are an integral part of the financial statements.

CARTER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

May 1, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 1, 2000 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bonds.

CARTER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
May 1, 2000  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 5, 1999 through May 1, 2000.

Unmined Coal Taxes

The 1998 tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 17, 1999 through May 1, 2000.

The 1999 tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 17, 1999 through May 1, 2000.

Note 4. Interest Income

The Carter County Sheriff earned \$5,090 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the Carter County Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1998 and 1999 Unmined Coal Taxes as of May 1, 2000, and have issued our report thereon dated January 4, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carter County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 4, 2001

